

Message Text

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ACTION EB-08

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FM AMCONSUL LENINGRAD

TO SECSTATE WASHDC 3905

INFO AMEMBASSY MOSCOW

AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: ECRP, EWWT, UR

SUBJECT: CALL ON LENINGRAD SHIPPING AND PORT OFFICIALS

1. DIRECTOR OF BALTIC STEAMSHIP COMPANY (AND PRESIDENT OF ASSOCIATION OF SOVIET SHIPBUILDERS) BORIS YUNITSYN AND LENINGRAD COMMERCIAL PORT MANAGING DIRECTOR D.A. TEREKHOV USED MY INITIAL CALL ON THEM JANUARY 19 FOR RATHER GENERALIZED BRIEFING ON BALTIC SHIPPING AND PORT OPERATIONS. MEETING DID, HOWEVER, PROVIDE OPPORTUNITY TO SAMPLE YUNITSYN'S GENERAL ATTITUDES ON INTERNATIONAL SHIPPING MATTERS AND PROVIDED SOME CURRENT INFORMATION ON BALTIC STEAMSHIP COMPANY, AND ON DIVISION OF LABOR AMONG FOUR SOVIET BALTIC LINES. TEREKHOV DEFERRED THROUGHOUT TO YUNITSYN AND IN HIS PRESENTATION PROVIDED LITTLE NEW INFORMATION ON PORT. MIHAIL YEFIMOV, CHIEF REPRESENTATIVE, MINISTRY OF FOREIGN AFFAIRS IN LENINGRAD ALSO SAT IN BUT AS USUAL ADDED NO SUBSTANTIVE COMMENT. HIGHLIGHTS FOLLOW:

2. BAKKE AGREEMENT: YUNITSYN TOOK PAINS TO ASSURE ME AT SEVERAL POINTS DURING MEETING THAT SOVIETS ARE REGARDING LIMITED OFFICIAL USE

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BAKKE "MEMORANDUM AGREEMENT" SIGNED IN LENINGRAD, SERIOUSLY AND HAVE TAKEN NUMBER OF STEPS TO IMPLEMENT IT. HE MENTIONED TWO-STEP EFFORT TO RAISE SHIPPING RATES CHARGED BY SOVIET VESSELS, FIRST INVOLVING OLDER, LESS EFFICIENT VESSELS AND SECOND NEWER VESSELS, WHICH HE SAID HAS RESULTED IN BRINGING SOVIET SHIPPING RATES IN ALL CASES UP TO LOWEST RATES CHARGED FOR SAME CARGO BY NON-SOVIET

SHIPPERS. HE ALSO MENTIONED CURRENT SOVIET EFFORTS TO ACTIVELY SEEK MEMBERSHIP IN NORTH ATLANTIC CONFERENCE. HE ADDED THAT, ALTHOUGH MATTER HAS NOT YET BEEN RESOLVED SATISFACTORILY, SOVIETS ARE READY "IN PRINCIPLE" TO JOIN CONFERENCES. HE UNDERSTOOD THAT ISSUE OF SOVIET MEMBERSHIP IN NORTH ATLANTIC CONFERENCE WAS HUNG-UP INSIDE U.S. BUREAUCRACY AND CONGRESS. (COMMENT: HE KEPT REFERRING TO SOME FIRM (?) COMMITTEE. WOULD APPRECIATE DETAILS ON INTRA-U.S. DISCUSSIONS IF YUNITSYN'S REMARKS HAVE ANY BASIS). YUNITSYN NOTED THAT SOVIETS HAD JOINED AUSTRALIA-NEW ZEALAND CONFERENCE. IT WAS NOT CLEAR TO US WHETHER SOVIETS HAD JOINED OR ARE PRESENTLY NEGOTIATING TO ENTER SOUTH AFRICAN CONFERENCE.

3. OTHER BILATERAL AGREEMENTS: YUNITSYN POINTED TO STRONG COMPETITIVE PRESSURE IN WESTERN EUROPEAN COUNTRIES, AND WITH MIXTURE OF AMUSEMENT AND MILD EXASPERATION, SAID THAT SOVIET EFFORTS COOPERATE ON BILATERAL BASIS WITH SOME OF WESTERN EUROPEAN COUNTRIES MET WITH CONSTANT PROBLEMS. NOTED THAT UNDERSTANDING REACHED WITH BRITISH MINISTRY OF TRANSPORTATION IN AUGUST ON CROSS CARGO HANDLING CAME UNDER SHARP CRITICISM, ESPECIALLY FROM WEST GERMANS, AND WAS IN EFFECT, RENOUNCED BY BRITISH LATER IN FALL. THERE IS NO EC AGREEMENT ON HOW TRADE SHOULD BE DIVIDED, MARITIME COMPETITION IS STRONG, AND EACH COUNTRY IS ENERGETICALLY PURSUING ITS OWN NATIONAL SHIPPING INTERESTS.
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4. SOVIET MARITIME CONSTRUCTION - IN WHAT MAY HAVE BEEN PLOY TO CALM APPREHENSIONS, YUNITSYN DESCRIBED SOVIET MARITIME CONSTRUCTION PROGRAM AS "MODEST BY WORLD STANDARDS STANDARDS", WITH ONLY SMALL INCREASES DUE DURING CURRENT FIVE YEAR PERIOD. IN CURRENT FIVE YEAR PERIOD, BALTIC STEAMSHIP COMPANY SLATED TO PUT TWO LARGE CONTAINERIZATION SHIPS IN SERVICE (ONE IS CURRENTLY OPERATING, ONE UNDER CONSTRUCTION); AND FOUR SMALLER CONTAINERIZATION SHIPS, EACH WITH CAPACITY TO HANDLE SOME 250-300 CONTAINERS. LATTER ARE DESIGNED PRIMARILY FOR OPERATION IN BALTIC PORTS AND ALONG EUROPEAN COAST. FORMER LUMBER DOCKS ARE BEING CONVERTED FOR CONTAINER SHIPS. NO RO-RO OR LNG SHIPS ARE PLANNED. HE SAID THAT BALTIC STEAMSHIP COMPANY HAS NO PLANS UNDERWAY TO BUILD NEW PASSENGER SHIPS, REMARKING THAT COMPETITION IS HEAVY IN THIS AREA AND CONSTRUCTION COSTS PROHIBITIVELY EXPENSIVE DUE NEED TO MAINTAIN EXCEPTIONALLY HIGH STANDARD IN ORDER TO COMPETE SUCCESSFULLY. TEREKHOV ADDED THAT LENINGRAD PORT HAS THRIVING PASSENGER SHIP BUSINESS BUT 80 PER CENT OF PASSENGERS CURRENTLY ARRIVE ON OTHER THAN SOVIET FLAG VESSELS. STRONGEST COMPETITORS ARE SCANDINAVIANS AND WEST GERMANS WITH GREEKS,

BRITISH, AND OCCASIONAL AMERICAN VESSELS CALLING AT PORT.

5. IN OTHER AREAS, YUNITSYN NOTED:

--BALTIC STEAMSHIP COMPANY OPERATES SIX PASSENGER VESSELS, FLEET OF SOME 55 TIMBER VESSELS OPERATING MAINLY OUT OF ARCHANGELSK, NUMBER OF TRAMPS AND ABOUT 50 LINER CARGO VESSELS. LARGEST PASSENGER VESSELS ARE THE LERMENTOV (CALLS INCLUDE NEW YORK, VANCOUVER), PUSHKIN (MONTREAL) AND BALTIKA. TRAMPS CARRY MAINLY GRAIN AND GENERAL CARGOS AND NO BALTIC STEAMSHIP COMPANY TRAMPS ARE CHARTERED ALTHOUGH SOVIETS NOT ADVERSE TO CHARTERS. LINER VESSELS CALL AT PORTS MAINLY IN NORTHWEST EUROPE, NORTH AMERICA AND CARIBBEAN. TRAMPS ARE PUT INTO AND

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TAKEN OUT OF LINER SERVICE AS NEED ARISES.

--BALTIC STEAMSHIP COMPANY IS LARGEST OF FOUR BALTIC SHIPPING LINES WHICH ARE SPECIALIZED IN CERTAIN GENERALIZED CARGO HANDLING AREAS. LENINGRAD DUE PREDOMINANCE ITS POSITION AS INDUSTRIAL AND TRANSPORTATION CENTER, IS GENERAL CARGO PORT SERVING ALL AREAS OF WORLD: LATVIAN PORTS SPECIALIZE IN BULK AND TANKER CARGOES, ESPECIALLY PETROLEUM AND CHEMICAL PRODUCTS; ESTONIAN AND LITHUANIAN PORTS CARRY MAINLY GOODS PRODUCED IN THOSE REPUBLICS, PRIMARILY TO SCANDINAVIAN AND WEST EUROPEAN PORTS.

6. COMMENT: YUNITSYN EXUDED IMPRESSION OF SOVIET CALM REASONABLENESS IN FACE OF FEUDING AND HIGHLY COMPETITIVE

WESTERN MARITIME INTERESTS. HE ALSO SEEMED TO WANT TO CONVEY THAT SOVIET DESIRE COMPLY WITH BAKKE AND OTHER AGENTS AND TO MOVE FROM POSITION OF OUTSIDER TO CLOSER COOPERATION ON WORLD SHIPPING MATTERS IS GENUINE. RE FRG DISSATISFACTION WITH SOVIET-BRITISH AUGUST UNDERSTANDING, FRG CONGENOFF HERE TOLD US THAT FRG WAS JOINED BY FRANCE AND NETHERLANDS AT CONSULTATIVE SHIPPING GROUP MEETING LIMITED OFFICIAL USE

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IN LONDON IN SEPTEMBER IN CRITICAL ASSESSMENT OF UNDERSTANDING. HE SAID THAT, FRG THOUGHT GUIDELINES WERE TOO UNCLEAR AND GAVE SOVIETS EQUALITY WITHOUT SETTING DOWN FIRM RIGHTS AND DUTIES. IN PARTICULAR, FRG WAS IRRITATED BY AMOUNT OF CROSS CARGO BEING CARRIED BY SOVIET BESTA (BALTIC ESTONIAN) LINE BETWEEN HAMBURG AND OTHER WESTERN EUROPEAN PORTS AND AFRICA. HE ADDED THAT DURING MID-OCTOBER MEETING WITH SOVIETS IN MOSCOW AND LENINGRAD, BRITISH MINISTER FOR TRANSPORT DAVIS AND MARITIME CHIEF LANCHIN TRIED TO LINK AUGUST UNDERSTANDING WITH SOME SOVIET COMMITMENT ON BESTA LINE REDUCTIONS IN THIS TRAFFIC. HE SAID THAT FURTHER FRG-SOVIET TALKS ON SHIPPING PROBLEMS WOULD BE HELD THIS WEEK IN BONN AND HAMBURG IN MEETING OF SOVIET-FRG MARITIME OFFICIALS. BUCHANAN

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